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City of Boston Neighborhood Housing Trust Annual Report 1998



Thomas M. Menino
Mayor
City of Boston

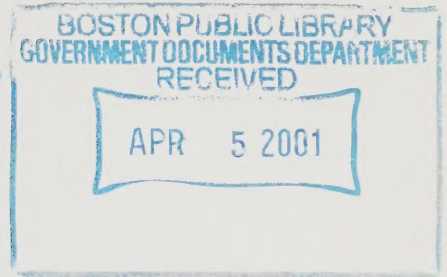
GETTING THE JOB DONE



BOSTON

THOMAS M. MENINO, MAYOR


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City of Boston Neighborhood Housing Trust Annual Report 1998



**Thomas M. Menino, Mayor
City of Boston**



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Dear Friends,

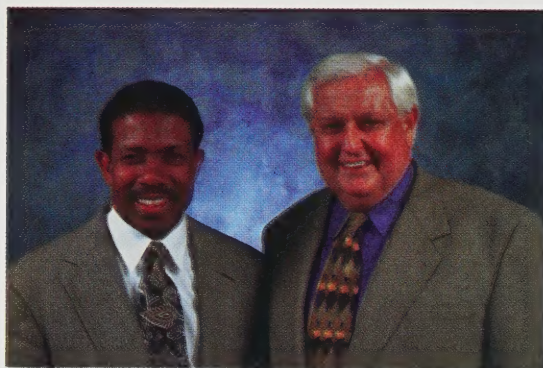
I write this letter to you with great pleasure, secure in the knowledge that the work of the Neighborhood Housing Trustees reflected in their 1998 Annual Report, will meet with your approval. As proud as I am of the great progress that Boston has made in the past few years, I have long been concerned about how the economic upswing in our city affects those vulnerable members of our society who rely on the availability of affordable housing. The creation of Linkage in the 1980s made a tool available to those in government to help ensure that affordability continues to be a priority. The Neighborhood Housing Trust strives to make Linkage work for our residents and our neighborhoods.

As our economy has continued to grow and strengthen, the pace of commercial development has quickened in downtown Boston and in our neighborhoods. These new developments in turn will aid us in our goal of building cost-efficient, attractive and affordable housing in those neighborhoods that most need it. As you read these pages, you will notice that many of them have lists of addresses along the sides. The houses at these addresses have been built with Linkage funds along with the support of our partners in the banking, community development and government fields. I am proud to see the sheer volume of homes being made available to families in our city, and I am committed to ensuring that even more Bostonians find a place to call home in the years to come. I congratulate the Neighborhood Housing Trust for turning dreams of homes into reality and I challenge them to continue their hard work.

Sincerely,

A handwritten signature in blue ink that reads "Thomas M. Menino". The signature is stylized with a large, sweeping initial "T" and "M".

Thomas M. Menino, Mayor
City of Boston



A Message from Managing Trustee and Chair,

As we write this, 1998 is coming to an end. As we look to the new year, we also reflect on the work done by the Trust over the past twelve months.

Building on the foundation established in 1997, the Neighborhood Housing Trust (NHT) established two priorities in 1998. First, we improved the operations of the Trust -- taking the time to update documents, to establish clear lines of communications among the agencies involved in Trust operations, and to refine accounting procedures to improve the tracking and collecting of payments due to the Trust.

The NHT also improved its decision-making process. With assistance from Mayor Menino and various City departments, Trustees analyzed the NHT's history of spending, the housing needs of neighborhoods across the city, and the opportunities for the development of new housing. Against a backdrop of rising housing prices, the Trustees decided to focus on the development of new home ownership -- linking one resource, Trust funds, with another, the City's supply of vacant lots. Three million dollars has been committed to this project and construction of new homes began before year's end in two Boston neighborhoods.

In 1999, we expect to see construction underway in at least four additional neighborhoods, bringing new home ownership opportunities to every corner of Boston. We will also work closely with the Boston Redevelopment Authority (BRA) to determine which of the proposed downtown development projects will actually proceed, bringing precious new funds to the NHT. Given the successes of the past two years, we are confident that the NHT will continue to provide much needed funding for affordable housing in Boston's neighborhoods.

Sincerely,

Clayton H.W. Turnbull
Chairman

Edward J. Collins, Jr.
Managing Trustee



**A Message from
Boston Redevelopment Authority
Director Tom O'Brien**

Boston just keeps getting better and better. Our economy is booming. New buildings are going up, as are jobs in the city and the number of visitors to Boston. Our office vacancy rate and hotel occupancy rate are at record levels. Crime is at an all time low with Boston serving as a national model in crime fighting and prevention. We're also making progress at ensuring our children get the kind of education they need to succeed in the 21st century. Right now, one of our biggest challenges seems to be making sure that Boston can accommodate everyone who wants to call our city home.

Providing affordable housing is a key ingredient to meeting that challenge and Boston's Linkage Program is one of our most important tools. Linkage is a kind of social contract, an agreement made by those who profit from the city's economy that they will also invest in the city's people, and help them to be able to afford to own a home and have access to good jobs.

I'm proud of how successful Boston has been in the last five years. I'm even more proud that, as we continue to succeed as a city, we continue to employ our Linkage Program to make sure that Boston's success is shared with everyone who wants to live here.

My congratulations to the Neighborhood Housing Trust for ensuring that Linkage develops the housing our residents need.

Boston's Linkage Program

Boston is fortunate that its economy continues to grow and that it is a popular place for people to live, work, and visit. There exists, however, an inevitable tension between a city's economy and popularity, and its ability to serve as a home to all those who want to live and raise their families in it. With clear economic advantages, the commercial sector can inevitably outbid the residential sector for space in which to grow. This economic fact of life drives housing prices up, making home ownership difficult for working people and young families, and discouraging new families and workers from relocating to the city from other places.

That is what is happening in Boston today, and has been happening for the last 15 years. Currently, the median price for a single family home in the Boston area is a record \$206,400, one of the highest in the country. In the City of Boston, the median price of a single family home has increased 17% from 1997 (\$135,000) to 1998 (\$158,500). Although the Federal government once widely supported the construction of affordable housing through several programs, the number of programs today that directly support new construction has decreased dramatically over the past 20 years. Even the \$296 million commitment from the Commonwealth via the Housing Bond Bill cannot stem the tide of escalating rental and homeownership costs in Boston.

Fortunately, the City of Boston has its Linkage Program, which was designed to achieve these aims. The Linkage Program was established in the early 1980s to ensure that a healthy downtown economy translated into clear benefits for the city's neighborhoods and their residents. Through the Linkage Program, developers of large commercial downtown development projects are required to make an additional investment to support construction of affordable housing. The purpose of this payment is to help mitigate the impacts of their development on the availability of affordable housing in Boston's neighborhoods.

How Linkage Works

Boston's Linkage ordinance was established in 1983 as an amendment to the city's zoning code (originally *Articles 26A and 26B*, now *Article 80, Section B-7*). The ordinance applies to all major commercial development

projects in Boston that require zoning relief and exceed 100,000 square feet. These developers must sign a Development Impact Project (DIP) agreement with the Boston Redevelopment Authority (BRA), under which they agree to pay a "Housing Exaction" (more commonly known as a "Linkage Payment") of \$5 for every square foot of gross floor area over 100,000 square feet. A 20-story office building generates a Linkage Payment of roughly \$2 million.

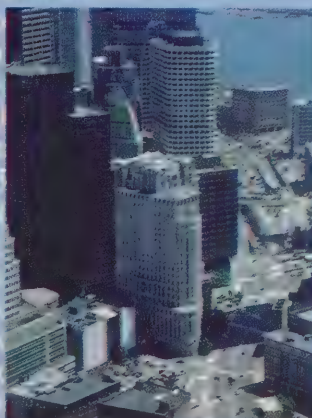

Developers are given two options for making their Linkage Payment. The first is to deposit their Linkage Payment into a fund that supports the construction of affordable housing city-wide. Initially, all developers were given a payment schedule of 12 years. In 1986, the payment schedule was shortened to seven years for downtown development projects although neighborhood projects remain unchanged at 12 years. The first payment is due and payable upon the issuance of a certificate of occupancy, or two years after the issuance of a building permit, whichever comes first. The second option is to create the equivalent value of affordable housing themselves. "Affordable housing" is defined as that which is affordable to residents whose total annual income was not more than 80% of Boston's median annual household income or \$45,300 for a 4-person household.

The city has also negotiated with developers to receive lump sum payments, the "present value" of which would be equal to the installment payments. In 1989, the city put together a package of future Linkage Payment commitments from several projects and sold them to two local insurance companies for \$10.5 million, raising money to address immediate housing needs.

Disbursement of Linkage Funds

Housing Linkage Payments are disbursed by the Trust, which was created in 1986. Payments are made to the City Collector-Treasurer, who serves as Managing Trustee and as an ex-officio member.

The NHT selects housing development projects to receive funding. If a development project directly affects the surrounding housing market, at least 10% of payments from downtown projects and 20% of payments from neighborhood projects are reserved for use in the area where the project is located. The Trust rules further require that proposals for feasible, affordable housing projects exist in the affected area.

- 
- 146 Winthrop Street
 - 147 Columbia Road
 - 147 Winthrop Street
 - 148 Winthrop Street
 - 148 Dean Street
 - 15 Bowdoin Avenue
 - 15 Church St
 - 15 Cotton Street
 - 15 Cresent Street
 - 15 Dr
 - 15 He
 - 15 LA
 - 15 Wa
 - 150 St
 - 151-15
 - 154-
 - 159 W
 - 16 Al
 - 16 Go
 - 16 Ha
 - 162 D
 - 164-1
 - 165 Columbia Road
 - 169 Columbia Road
 - 17 Cleavix Street
 - 17 Cresent Street
 - 17 Frontenac Street
 - 17 Hemenway Street
 - 173 Columbia Road
 - 174 Washington Street
 - 175-176 Washington Street
 - 177 Washington Street
 - 178-180 Columbia Road
 - 180 Washington Street
 - 187 Washington Street
 - 1 Arcola Street
 - 18 Balyam Street
 - 18 Dean Street
 - 18 Everett Street
 - 18 Hollander Street
 - 16 Tebroc Street
 - 19 Westland Park
 - 1 Abbot Street
 - 2 Barry Park
 - 2 Brookdale
 - 2 Candler Pl
 - 2 Glenbrook Street
 - 2 Hermy Street
 - 20 Rockland Street
 - 21 Concord Square
 - 21 Hemenway Street
- 



1 Cannon Place
1 Forest Place
1 Lewis Place
1 Lorne Street
10 Alexander Street
10 Barry Street
10 Comet Place
10 Dean Street
10 Eugene Circle
10 Stafford Street
10-12 Ernst Street
102-108 Columbia Road
104 Moreland Street
105 George Street
108 Hamilton Street
108 Moreland Street
11 Cleaves Street
11 Cortes Street
11 Creston Street
11 Waldren Road
110 Devon Street
1-11 Bancroft St
11-17 East Concord Street
112 Devon Street
112 Magnolia Street
114 Devon Street
114 Moreland Street
115 W. Newton Street
116 Devon Street
116 Moreland Street
117 Howard Avenue
118 Devon Street
12 Alexander Street
12 Dean Street
12 Goodale Road
12 Tebroc Street
12 Wellington Street
12 Westminster Street
120 Devon Street
120 George Street
12-14 Dixwell St
12-16 McLellan Street
122 Devon Street
123 Lucerne Street
123 Moreland Street
127 W. Concord Street
13 Kenney Street
135 Winthrop Street
138 Lucerne Street
139 Pembroke Street
14 Alexander Street
14 Fayston Street
14 Huckins Street
142 Winthrop Street
143 Columbia Road
144 Winthrop Street
144-148 Geneva Avenue
145 Winthrop Street

Linkage Payments Projected for Future

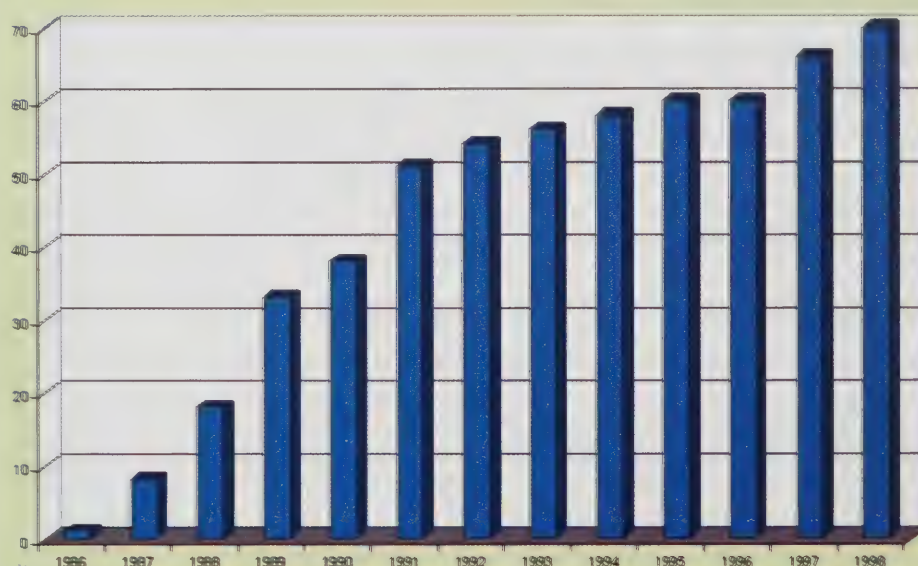
One of the strengths of Boston's Linkage Program is that it provides a predictable and long-term source to support the construction of affordable housing. Over the next 30 years, Linkage is expected to generate over \$120 million from project agreements that are already signed, potential projects in the City of Boston's development pipeline, and projects proposed in Boston's Seaport District.

Funding Activity

Between 1986 and June 30, 1997, developers of 57 projects (either completed or currently under construction) have committed to pay \$64.7 million under Boston's Linkage Program. As of December 1998, \$43.8 million of these committed housing trust funds had been allocated for the construction or renovation of 4,883 housing units in 70 development projects in the city's neighborhoods. Affordable housing units for low and moderate-income residents comprise 84% (4,098 units) of this total. (See the following charts.)

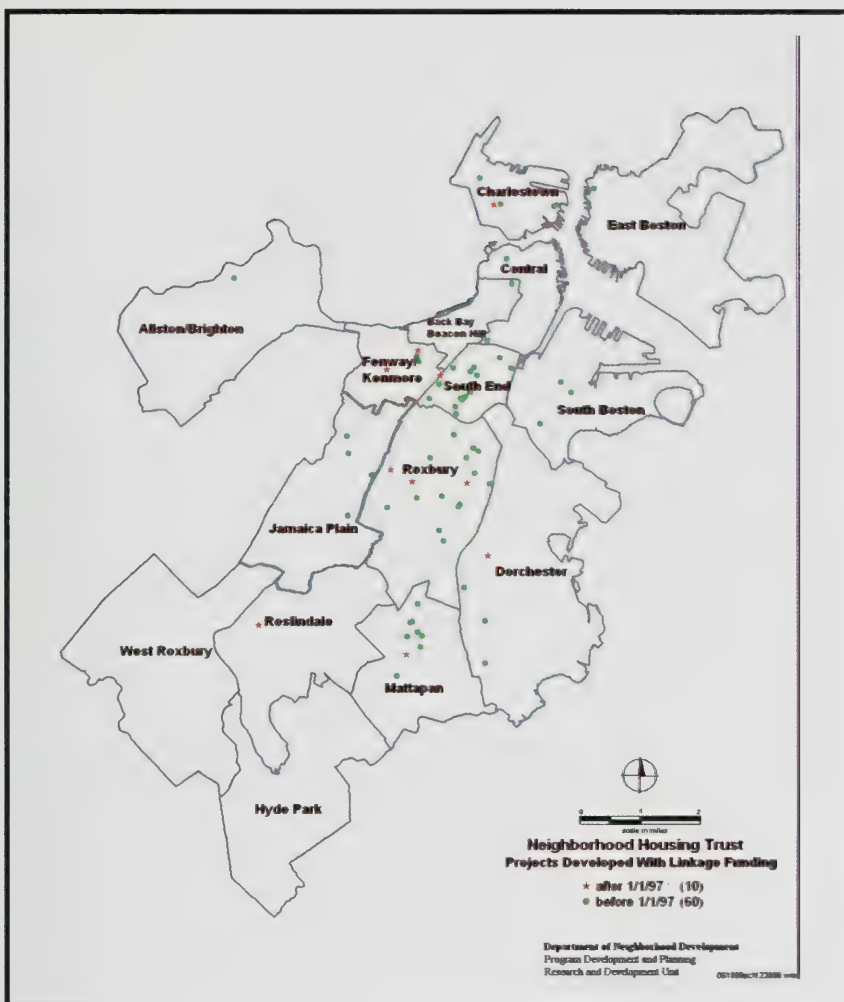
Although Linkage funds generally account for less than 30% of the total development cost of any affordable housing project, they are a crucial source of funds. Often, they determine the financial viability of a development project. In terms of disbursements by neighborhood, Roxbury has received 33% of the total Linkage funds disbursed and the South End 22%. All other Boston neighborhoods have received less than 10%. The charts and maps on these pages illustrate clearly the cumulative effects of Linkage funding on the affordable housing marketplace and their disbursement throughout Boston's neighborhoods.

Cumulative Number of Projects



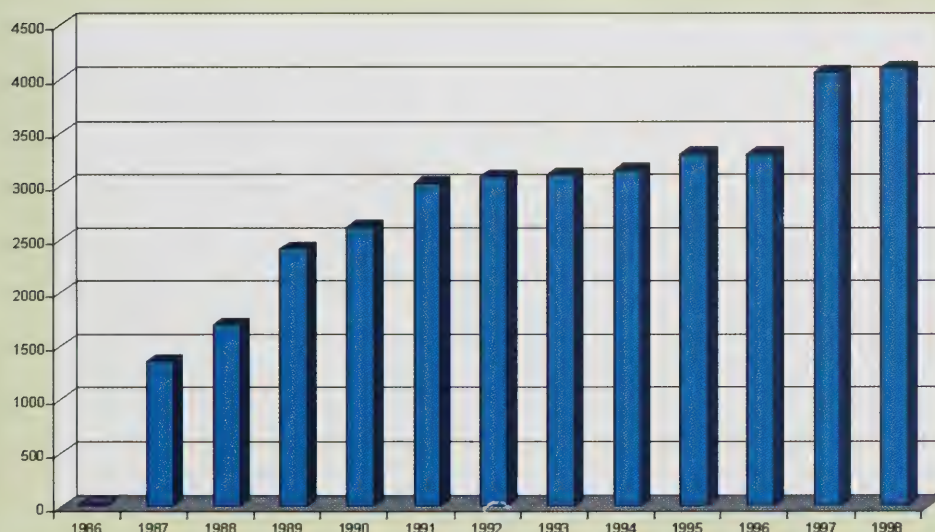


51 Long Street
5 Perrin Street



502 Shawmut Avenue
502 Shawmut Avenue
50-52 Columbia Road
506 Columbus Avenue
51 Lucerne Street
51 Richfield Street
51 Forest Hills Street
52 Alexander Street
52 Goodale Road
52 Winston Road
52R Woodcliff Street
53 Forest Hills St
53 Walden Street
544 Massachusetts Avenue
545 Massachusetts Avenue
546 Massachusetts Avenue
547 Massachusetts Avenue
55 Forest Hills Street
55 Goodale Road
553 Massachusetts Avenue
556 Massachusetts Avenue
56 Alexander Street
560 Massachusetts Avenue
564 Blue Hill Avenue
567 Massachusetts Avenue
569 Massachusetts Avenue
57 Hemenway Street
5-7 Woodside Street
57 Worcester Street
571 Massachusetts Avenue
573 Massachusetts Avenue
58A Howard Street
59 Winston Road
59-63 Washington Street
59-65 Devon Street
6 Alexander Street
6 Balsam Street
60 Blue Hill Avenue
60 Charles Street
60 Hammond Street
60 Norwell Street
612 Massachusetts Avenue
62 Hammond Street
62 Regent Street
620-638 Washington Street
623 Massachusetts Avenue
627 Massachusetts Avenue
636 Walk Hill Street
64 Goodale Road
640 Tremont Street
640 Tremont Street
650 Columbus Avenue
65-69 Nightingale Street
66 Blue Hill Avenue
66 Hammond Street
663 Massachusetts Avenue
669 Walk Hill Street

Cumulative Affordable Units



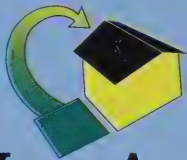
In response to Boston's rising housing prices, the Neighborhood Housing Trust has focused its resources on increasing affordable housing opportunities citywide in 1998.

NHT funds have been linked to numerous City-owned vacant lots and buildings in need of rehabilitation. 92% of the 875 new units which will be created with these monies will be designated as affordable housing.



The Projects





Home Again

On May 13, 1998, Mayor Menino announced the beginning of the City of Boston's newest housing initiative, the Home Again Program. In response to the growing housing shortage and the continued need for homeownership opportunities throughout the City of Boston, the Mayor and the NHT have pledged \$3,000,000 of Linkage funds to the program. These funds and other City resources will be used to create up to 150 new homes in various neighborhoods.

The City of Boston has tentatively identified ten sites owned by the City's Department of Neighborhood Development (DND) or the BRA, upon which it would be appropriate to construct several single family, two family, and/or duplex style homes. These developments will involve the new construction of buildings by either a non-profit or for-profit developer. DND will market the homes and identify eligible buyers.

The City of Boston may provide many different types of assistance to Home Again developments including technical assistance, environmental site assessments, discounted land acquisition, and direct capital subsidies with Linkage funds.

The NHT has approved three awards this year, totaling \$1,493,000 and representing twenty-four units of homeownership housing in Dorchester, Mattapan, and Roxbury.

Goodale Road

The Goodale Road New Housing Initiative is a result of the conscientious efforts of a community group, the Mattapan Civic Improvement Association (MCIA), and the City to choose sites for affordable housing that generate maximum neighborhood benefit. Development efforts will focus on several vacant parcels in the Wellington Hill area of Mattapan. A total of 5 three-story modular buildings will be developed, each with an owner's unit and a rental unit.



Location.....	12-16, 35, 48 -52, 55, 64-68 Goodale Road
Developer.....	Boston Affordable Homeownership Initiative
Construction Start.....	Winter 1999
Construction Completion.....	Summer 1999
Total Development Cost.....	\$1,375,560
Linkage Award Amount.....	\$413,000
Other Funding.....	Citizens Bank, FHLB
Number of Units.....	10
Number of Affordable Units.....	8

Woodward Park, Phase II



The Woodward Park Phase II development, a partnership with the Dudley Street Neighborhood Initiative (DSNI), involves the new construction of 12 fee simple homeownership units on vacant city-owned and privately acquired land in the Dudley Triangle. There will be 8 single family homes and 4 duplexes. The construction of Woodward Park Phase II represents the fifth development in the buildout in the Dudley Triangle since 1990.

Location.....26-30, 40-46 Brookford St., 77 Howard St., 10-14, 18 Dean St., 1& 4 Hartford Terr., 21 & 25 Robinhood St.

Developer.....	New Boston Housing Enterprises, LLC
Construction Start.....	Spring 1999
Construction Completion.....	Spring 2000
Total Development Cost.....	\$2,399,555
Linkage Award Amount.....	\$780,000
Other Funding.....	DND HOME, FHLB, BankBoston
Number of Units.....	12
Number of Affordable Units.....	12

Bowdoin/Geneva – HOME AGAIN

The Dorchester Housing Action Team (DHAT) approached the City to explore how vacant lots in the Clarkson/Coleman/Hamilton area of Dorchester could be developed. DHAT identified 7 City owned lots that would best complement rehabilitation work currently underway in the area. A community planning process was initiated to determine the best housing development alternative. As the City's first Home Again project, the Bowdoin-Geneva development will provide seven three-bedroom, energy efficient, single-family homes with wrap-around porches.

Location.....2 & 18 Tebroc St., 51 Richfield St., 18, 22
& 39 Everton St., 108 Hamilton St., 84 & 88
Clarkson St., 10 Barry St., 2 & 8X Barry Pk.
Developer.....AHB Corporation, Inc.
Construction Start.....Fall 1998
Construction Completion.....Winter 2000
Total Development Cost.....\$1,222,536
Linkage Award Amount.....\$400,000
Other Funding.....Developer Equity and FHLB
Number of Units.....7

15-25 Hemenway Street

15-25 Hemenway Street involves the acquisition of a leasehold interest in and rehabilitation to six contiguous rowhouse buildings. The buildings consist of twenty-four mixed income housing units. Rehabilitation will address structural issues as well as deferred maintenance. Plans included new doors and windows, building systems replacements, and bathroom and kitchen renovations.

Location.....15-25 Hemenway Street, Fenway
Developer.....Fenway Community Development Corporation
Construction Start.....Spring 1999
Construction Completion.....Spring 2000
Total Development.....\$2,693,291
Linkage Award Amount.....\$100,000
Other Funding:....DND HOME, DHCD HSF, DHCD HIF,
Boston Community Capital, Charlesbank
Homes
Number of Units.....24
Number of Affordable Units.....13

21 Hemenway Street
21 Robinhood Street
22 Dromay Street
22 Everton Street
22 Hucksins Street
23 Concord Square
23 Creston Street
23 Hemenway Street



24 Shawmut Avenue
245 Shawmut Avenue
25 Ashmun Street
25 Creston Street
25 Dale Street
25 Hemenway Street
25 Mt. Pleasant Street
25 Robinhood Street
250 Dudley Street
250 Rutledge Street
251 Main Street
26 Brookford Street
261 Bolton Street
26-28 Thane Street
268 Dudley Street
27 Ashmun Street
27 Balsam Street
27 Mt. Pleasant Street
277 W. Second Street
28 Alexander Street
28 Brookford Street
28 Concord Street
28 Clayhead Street



3 Johnson Terrace
3 Lewis Place
3 Morse Street
30 Brookford Street
30 Greenwich Park
30 Magnolia Street
309 Chestnut Ave
31 Ashmun Street



1114-1124 Buck Street
 1125-1135 Buck Street
 3175 Atlantic Street
 32 Baldwin Street
 32 Greenwich Park
 32 Holyoke Street



3387 Washington Street
 3382 Washington Street
 3384 Washington Street
 3316-3324 Washington Street
 537 Hamant Street
 34 Baldwin Street
 34 Day Street
 34 Fulvan Street
 34 Woodcliff Street
 347 Dorchester Street
 345 Abby Road
 35 Alexander Street
 35 Ashton Street
 35 Cornhill Street
 35 Goodale Road
 36 Baldwin Street
 36 Goodale Road
 361-363 Walnut Avenue
 364 Albany Street
 369 Talbot Avenue
 37 Alexander Street
 37 Ashton Street
 37 Bowdoin Street



40 Baldwin Street
 40 Blue Hill Avenue
 40 Brookfield Street
 401 Massachusetts Avenue
 403 Massachusetts Avenue
 405 Massachusetts Avenue
 406 Meridian Street
 407 Massachusetts Avenue
 41 Bowdoin Street
 414-418 Columbia Road
 419 Massachusetts Avenue

Academy Homes I

Academy Homes I is a 30 year old 221(d)(3) project located in the Jackson Square area of Roxbury. The project includes eleven buildings on an 8.6 acre site that once housed the Notre Dame Academy. The Academy Homes I Tenant Council has worked with the Urban Edge Housing Corporation to preserve affordability and improve living conditions by purchasing the development and managing a moderate rehabilitation process. Rehabilitation plans include bathroom and kitchen improvements, exterior renovations, and site improvements.

Location.....1584-1596 Columbus Avenue, Slayton Way,
 Weaver Way & Academy Court, Roxbury
 Developer.....Urban Edge Housing Corporation
 Construction Start.....Winter 1998/1999
 Construction Completion.....Spring 2000
 Total Development Cost.....\$21,359,000
 Linkage Award Amount.....\$500,000
 Other FundingDND HOME, DHCD HOME,
 MHFA, MHIC, HUD
 Number of Units.....202
 Number of Affordable Units.....150

Robert McBride House

Robert McBride House is a new construction, six-story building that will serve seventeen low-income households for persons with AIDS. All units will have kitchens, living rooms, and bathrooms. A congregate kitchen, dining room, community room, and laundry facilities are also planned as part of the project. In addition, a landscaped garden and patio space will be developed at the building rear and shared with the residents of St. Cecilia's House, a recently completed elderly development also done by the Planning Office for Urban Affairs. On-site support services will be provided by Catholic Charities.

Location.....74 Queensberry Street, Fenway
 Developer.....Planning Office for Urban Affairs,
 Archdiocese of Boston
 Construction Start.....Winter 1998
 Construction Completion.....Winter 1999
 Total Development Cost.....\$2,786,151
 Linkage Award Amount.....\$500,000
 Other FundingHUD 811, DHCD HIF,
 Private Contributions
 Number of Units.....17
 Number of Affordable Units.....17

Walnut Community Housing

Walnut Community Housing will provide 37 units of affordable “enhanced” congregate housing for very low to moderate income elders. The majority of City residents over 65 are unable to afford the high costs of typical “assisted living” facilities and are left with little alternative but to live alone often without support or community. The property, a former nursing home, will be completely renovated. Once complete, Walnut Community Housing will offer an inexpensive congregate living alternative with supportive services provided by Greater Boston Family Services.

Location.....	237-241 Walnut Avenue, Roxbury
Developer.....	1810 Realty Inc
Construction Start.....	Winter 1998
Construction Completion.....	Winter 1999
Total Development Cost.....	\$2,365,000
Linkage Award Amount.....	350,000
Other Funding.....	DND CDBG, DHCD HOME, FHLB, BankBoston
Number of Units.....	37
Number of Affordable Units.....	34

Mishawum Park Apartments

Mishawum Park Apartments is a 337 unit, 20 building expiring use development constructed in 1973. Substantial rehabilitation will address numerous structural and code deficiencies and ensure future efficient operations. In 1993, tenants of Mishawum Park Apartments organized to address long-standing deferred maintenance by the owner. In September 1997, the Mishawum Park Tenants Association, Inc. acquired the property from the original owner and became one of the only tenant organizations of any expiring use project in the country to do so without the benefit of a non-profit sponsor.

Location.....	95 Dunstable Street, Charlestown
Developer.....	Mishawum Park Tenants Association, Inc.
Construction Start.....	Summer 1998
Construction Completion.....	Fall 2000
Total Development Cost.....	\$31,306,128
Linkage Award Amount.....	\$500,000
Other Funding.....	Debt Assumption, HUD Preservation Grant, HUD ITAG Grant, DND HOME, DHCD HOME, DHCD HIF, FHLB, Construction Escrow, Safe Neighborhoods, Boston Gas Rebate
Units.....	337
Number of Affordable Units.....	337



The background of the entire page is a dense, overlapping collage of US currency. It includes numerous pennies, nickels, and quarters, as well as portions of one-dollar and ten-dollar bills. The colors are primarily the metallic tones of the coins and the green and white of the paper currency.

Financial Statement

The Financial Statements appended to this Annual Report represent a full auditing of six months of the fiscal year 1998. Full details of linkage amounts awarded to individual projects can be found on the previous pages that highlighted pertinent project information.

**NEIGHBORHOOD HOUSING TRUST FUND
CITY OF BOSTON, MASSACHUSETTS**

Financial Statements
Year Ended June 30, 1998

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Neighborhood Housing Trust Fund
City of Boston, Massachusetts

We have audited the accompanying statement of assets, liabilities, and fund balance of the Neighborhood Housing Trust Fund, a component unit of the City of Boston, as of June 30, 1998 and the related statement of revenues, expenditures and changes in fund balance for the year then ended. These financial statements are the responsibility of the Trustees of the Neighborhood Housing Trust Fund and the City of Boston, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Housing Trust Fund as of June 30, 1998 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 2, 1998 on our consideration of the Neighborhood Housing Trust Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

P.L. Jones & Associates, P.C.
September 2, 1998

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Neighborhood Housing Trust Fund
City of Boston, Massachusetts

We have audited the financial statements of the Neighborhood Housing Trust Fund as of and for the year ended June 30, 1998, and have issued our report thereon dated September 2, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Neighborhood Housing Trust Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the Neighborhood Housing Trust Fund in a separate letter dated September 2, 1998.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Neighborhood Housing Trust Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to

Neighborhood Housing Trust Fund
City of Boston, Massachusetts

the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the Neighborhood Housing Trust Fund in a separate letter dated September 2, 1998.

This report is intended for the information of the Board of Trustees and the management of the City of Boston. However, this report is a matter of public record and its distribution is not limited.


P.L. Jones & Associates, P.C.

September 2, 1998

**NEIGHBORHOOD HOUSING TRUST FUND
CITY OF BOSTON, MASSACHUSETTS**

Statement of Assets, Liabilities and Fund Balance

June 30, 1998

ASSETS

Investment in City of Boston Pooled Fund #7	\$ 8,294,101
Escrow deposits with BRA	1,277,694
Accounts receivable, net of allowance of \$439,385	584,773
Accrued investment income	37,009
Due from other funds	697,727
Other receivables	<u>2,248,021</u>
Total Assets	<u><u>\$ 13,139,325</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accrued expenses	\$ 56,585
Notes payable	<u>2,248,021</u>
Total Liabilities	<u>2,304,606</u>
Contingencies	-
Fund Balance	<u>10,834,719</u>
Total Liabilities and Fund Balance	<u><u>\$ 13,139,325</u></u>

The accompanying notes are an integral part of these financial statements.

NEIGHBORHOOD HOUSING TRUST FUND
CITY OF BOSTON, MASSACHUSETTS

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 1998

Revenues:

Housing contribution grants	\$ 1,658,734
Investment income	431,761
Other income and recoveries	<u>35,448</u>
Total Revenues	<u>2,125,943</u>

Expenditures:

Project expenses	159,749
General administration	7,851
Management and custodial fees	<u>13,395</u>
Total Expenditures	<u>180,995</u>
Excess of revenues over expenditures	1,944,948
Fund balance, beginning of year	<u>8,889,771</u>
Fund balance, end of year	<u><u>\$ 10,834,719</u></u>

The accompanying notes are an integral part of these financial statements.

NEIGHBORHOOD HOUSING TRUST FUND CITY OF BOSTON, MASSACHUSETTS

Notes to Financial Statements

1. Description of the Fund

The Neighborhood Housing Trust Fund (The Fund) was established on November 19, 1985, and is a component unit of the City of Boston. The Fund was authorized by a Boston City Council Ordinance to support the creation and preservation of affordable housing for low and moderate income residents of Boston's neighborhoods. As mandated by the Boston Zoning Code (as amended), developers of certain large-scale commercial real estate projects requiring zoning relief in the City of Boston, known as Development Impact Projects (DIP), must make linkage contributions in the form of payments to the Fund (Housing Contribution Grants) over a specified period of time.

Article 26A of the Boston Zoning Code (as amended), which became effective February 27, 1986, is the housing linkage program. Under this program, the housing contribution for downtown commercial buildings is \$5 per square foot for each square foot of floor area over 100,000 square feet, payable over seven years, commencing at building permit.

The housing contribution for commercial buildings outside of the downtown area is at the same rate as above except that contributions are payable over twelve years, beginning with the certificate of occupancy.

Ten percent (10%) of the housing contributions made for downtown projects and twenty percent (20%) for neighborhood projects are targeted to the impacted neighborhood.

A developer may choose the "housing creation option", whereby the contribution is made up front, based on the net present value of the housing contribution which would have been made under the housing payment option. These contributions are earmarked for specific low and moderate income housing developments.

Other restrictions and requirements cover the operations of the Fund and investment policies, which are under the direction of a Board of Trustees.

Qualified expenditures from the Fund may be in the form of gifts, grants, secured loans or other means as determined by the Board of Trustees.

**NEIGHBORHOOD HOUSING TRUST FUND
CITY OF BOSTON, MASSACHUSETTS**

Notes to Financial Statements (Continued)

2. Summary of Significant Accounting Policies

Basis of Presentation

The accounting policies of the Fund conform with generally accepted accounting principles ("GAAP") applicable to expendable trust funds of a government entity.

Basis of Accounting

The Fund utilizes the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period, while expenditures are recognized when the related fund liability is incurred.

Cash and Cash Equivalents

For financial statement purposes, the Fund considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Fund Balance

Both the principal and the income of the Neighborhood Housing Trust Fund are expendable upon the Board of Trustees' approval, as outlined in the trust agreement. They are being reported as one balance on the Statement of Assets, Liabilities and Fund Balance.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification

Investments have been reclassified to reflect the combining of trust assets to an invested pooled fund. The proportionate interest in the fund is then recorded for each trust.

**NEIGHBORHOOD HOUSING TRUST FUND
CITY OF BOSTON, MASSACHUSETTS**

Notes to Financial Statements (Continued)

3. Investments

The City of Boston has combined its trust funds in pooled investments. The pooled funds are managed by professional investment advisors and are held in custody accounts with BankBoston, N.A.

The investments in Pool 7 are carried at their fair market value. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Net realized gains on sales of investment are determined on the basis of average cost. The net increase in the fair value of investments for the year ended June 30, 1998 was \$30,942. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at year-end was \$59,212.

The Neighborhood Housing Trust Fund categorizes investments according to the level of risk assumed by the Fund. Category 1 includes investments that are insured or registered, or securities held by the Fund or its agent in the Fund's name. Category 2 includes those investments which are uninsured or unregistered and held by the counterparty's trust department or agent in the name of the Fund. Category 3 includes investments that are uninsured and unregistered and held by the counterparty, or by its trust department or agent, but not in the name of the Fund.

Investments as of June 30, 1998 are as follows:

	<u>Original Cost</u>	<u>Market Value</u>
City of Boston Pooled Fund #7	<u>\$ 8,234,889</u>	<u>\$ 8,294,101</u>
	<u>Category</u>	
	<u>1</u>	<u>2</u> <u>3</u>
City of Boston Pooled Fund #7	<u>\$ -</u>	<u>\$ -</u> <u>\$ 8,294,101</u>
Total Investments	<u>\$ -</u>	<u>\$ -</u> <u>\$ 8,294,101</u>

**NEIGHBORHOOD HOUSING TRUST FUND
CITY OF BOSTON, MASSACHUSETTS**

Notes to Financial Statements (Continued)

4. Escrow Deposits

The Boston Redevelopment Authority (BRA), a component unit of the City of Boston, received certain DIP proceeds from a housing creation option exercised by the Charleston Navy Yard projects, amounting to \$1,301,446. The BRA is holding the balance of principal and income that has not been disbursed in escrow on behalf of the Fund. Under an agreement, the Fund has empowered the BRA to administer the activities of the housing creation escrow fund account.

The escrow account disbursed \$820,996 in project grants from inception through June 30, 1998. The BRA has not disbursed funds from the escrow account during fiscal year 1997. The balance of the escrow account at June 30, 1998 was \$673,233.

The BRA received \$1,000,000 in advanced linkage payments from the Kingston Bedford Joint Venture and has disbursed \$600,000 to community projects. The remaining \$400,000, with interest is being held in escrow. The balance is \$579,605 at June 30, 1998.

The BRA is also holding linkage money from the Charleston Navy Yard #38 in escrow with a balance of \$24,856 including principal and interest at June 30, 1998.

5. Accounts Receivable

Accounts receivable represent annual housing contribution payments due from developers. At June 30, 1998 management determined an allowance should be \$439,385 to account for potential uncollectable accounts and reductions in amounts due to the "housing creation option." Uncollectable accounts occur when a developer goes bankrupt or a project is discontinued.

6. Loans Receivable

The Neighborhood Housing Trust Fund has made loans of varying amounts to projects for the creation, development or rehabilitation of affordable housing to low and moderate income households in the City of Boston between 1989 and 1996. This was done from proceeds of DIP projects in accordance with the Housing Creation Agreements. The terms of the loans vary but they are all long-term and secured by the properties financed to assure compliance with the restrictions in the agreement. Some of the notes have direct forgiveness terms and others have forgiveness terms at maturity. There is little or no expectation of collections thus they are not included on the financial statements.

**NEIGHBORHOOD HOUSING TRUST FUND
CITY OF BOSTON, MASSACHUSETTS**

Notes to Financial Statements (Continued)

7. Notes Payable

The Neighborhood Housing Trust Fund borrowed \$11,788,173 through the issuance of promissory notes to Metropolitan Life Insurance Company, Prudential Insurance Company of America and Fleet Real Estate, Inc. for \$7,453,030, \$3,835,143 and \$500,000, respectively. This represents the present value of certain DIP proceeds that secure the loans. The payment of debt service on these obligations is through specified equal annual installments of the housing linkage payments received from developers and ranges in years through March 3, 2007. The balance of the notes at June 30, 1998 was \$1,108,452 to Metropolitan Life Insurance Company, \$714,152 to Prudential Insurance Company of America, and \$425,418 to Fleet Real Estate, Inc., respectively. An equal and corresponding amount is due from the developers and is reported as other receivables.

8. Contingencies

In the normal course of operations, the Fund may be subject to certain claims and litigations. In the opinion of management and in house legal counsel, the outcome of any such matters will not have a material effect on the financial position of the Fund.

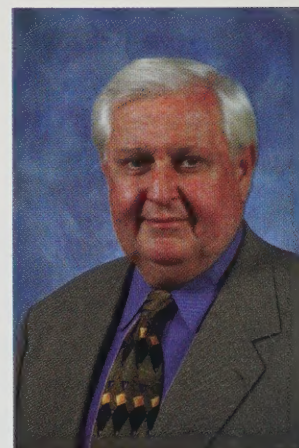
The City of Boston Neighborhood Housing Trust



Watchen H. Barker,
Trustee



Patricia A. Canavan,
Secretary



Edward J. Collins, Jr.,
Managing Trustee



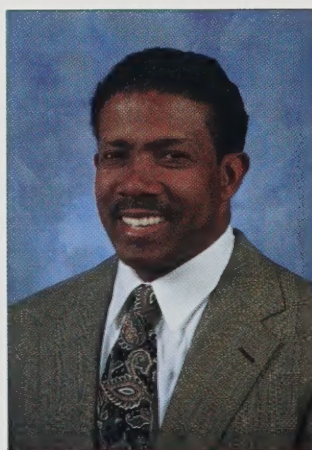
Brian J. Honan,
City Council Designee



Rev. Craig W. McMullen,
Trustee



Mary R. Soo Hoo,
Trustee



Clayton H. W. Turnbull,
Chair



Jose A. Vincenty,
Trustee



The Neighborhood Housing Trust would like to acknowledge the following City Departments and individuals for their collective contributions to the 1998 Annual Report and Boston's Linkage program.

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City of Boston

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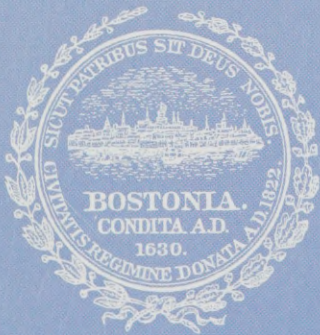
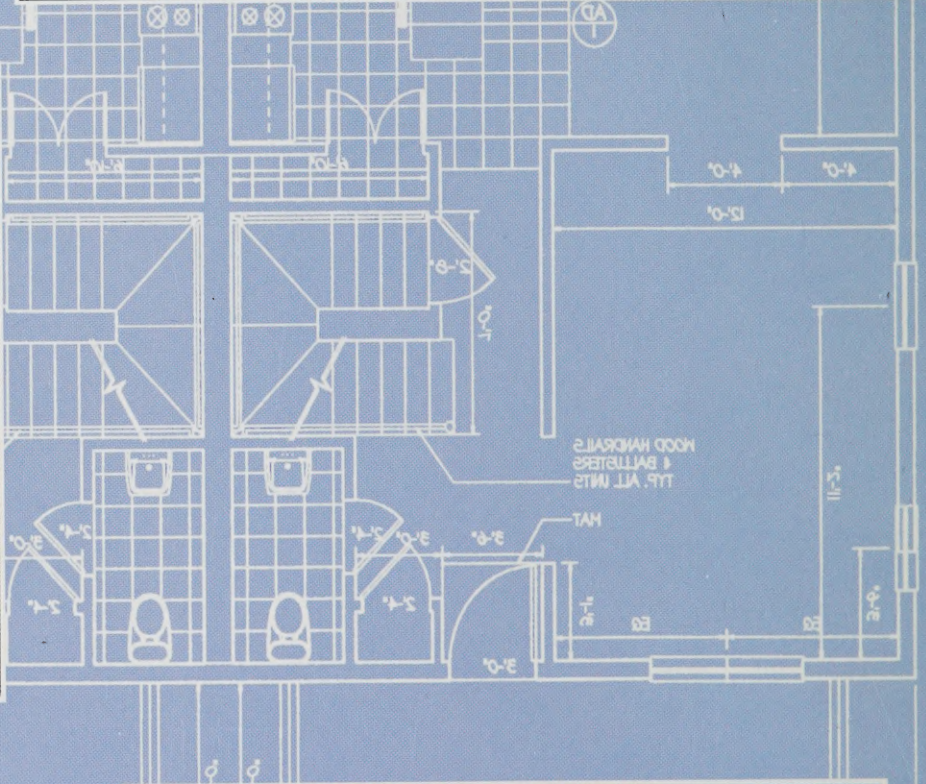
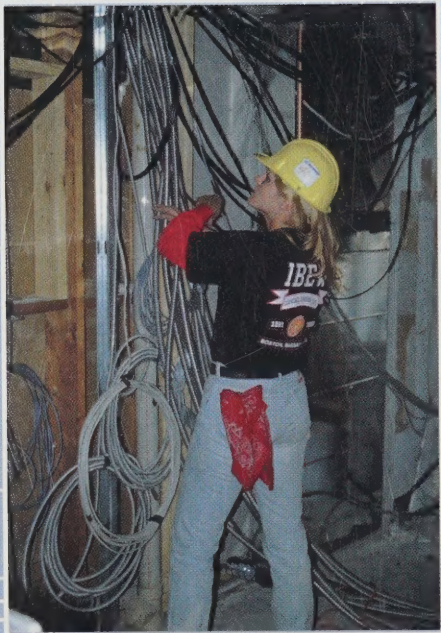
The Neighborhood Housing Trust would like to thank the following for allowing their images to be used in our 1998 Annual Report:

Front Cover Photo: Mattapan Civic Improvement Association members (clockwise from left): Hertisene M. Floyd, Shirley Carter, Brother Downing, Diane Bowdoin, Mable Graham

Inside Back Cover: Mishawum Park Tenants' Association members (from left to right): Bridget Crowley, Monica Auch, Mel Stillman

Back Cover: Workers from Cruz Electric





Thomas M. Menino
Mayor
City of Boston

